

## STATE OF CALIFORNIA

## Budget Change Proposal - Cover Sheet

DF-46 (REV 08/16)

Fiscal Year 2017/18	Business Unit 7350	Department Industrial Relations	Priority No. 1
Budget Request Name 7350-102-BCP-2017-GB		Program 6105005 – DIVISION OF LABOR STANDARDS ENFORCEMENT	Subprogram 6105010 – WAGE CLAIM ADJUDICATION 6105030 – RETALIATION COMPLAINT INVESTIGATION 6105040 – BUREAU OF FIELD ENFORCEMENT 6105080 – LEGAL

Budget Request Description  
Strategic Enforcement of Labor Standards

## Budget Request Summary

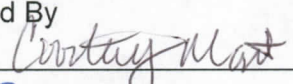
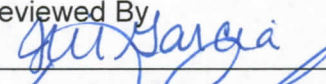
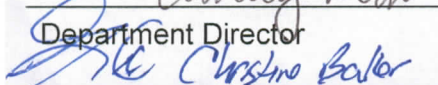
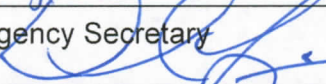
This proposal requests a three-year phase-in and an increase of 31.0 positions and \$4.6 million in Fiscal Year (FY) 2017/18, 58.5 positions and \$8.6 million in FY 2018/19, 82.5 positions and \$11.6 million in FY 2019/20 with an ongoing need of \$11.4 million from the Labor Enforcement and Compliance Fund for the Division of Labor Standards Enforcement. The resources requested will augment the following functions within the division: the Bureau of Field Enforcement, Wage Claim Adjudication, Retaliation Complaint Investigation, the Judgment Enforcement Unit, and the Legal unit to enable the division to implement a more strategic approach to labor law enforcement. The resources will provide a more effective means of combatting wage theft and labor law violations and protecting workers and legitimate businesses in those industries with the greatest needs for rigorous enforcement, such as the janitorial, garment manufacturing, construction, agricultural, food processing, and restaurant industries. Resources also include appropriate supervisory, legal, and administrative support staff to complement increased enforcement activities.

Requires Legislation <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed Various Labor Code Sections	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project No. \_\_\_\_\_ Project Approval Document: \_\_\_\_\_ Approval Date: \_\_\_\_\_


If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No  
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By 	Date 1-5-17	Reviewed By 	Date 1/5/17
Department Director 	Date 1.5.17	Agency Secretary 	Date 1.5.17

## Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ CALSTARS ☐ Dept. of Technology

BCP Type: ☐ Policy ☐ Workload Budget per Government Code 13308.05

PPBA  Date submitted to the Legislature  
1/10/17

## Analysis of Problem

### A. Budget Request Summary

The Department of Industrial Relations (DIR) requests 31.0 positions and \$4.6 million in Fiscal Year (FY) 2017/18 and an additional 51.5 positions phased in over the next two years for a total of 82.5 positions and \$11.4 million ongoing from the Labor Enforcement and Compliance Fund (LECF) to enable the Division of Labor Standards Enforcement (DLSE) to implement and expand a strategic enforcement approach to labor law enforcement and provide a more effective means of combatting wage theft and labor law violations and protecting legitimate businesses in those industries with the greatest needs for rigorous enforcement, such as the janitorial, garment manufacturing, construction, agricultural, food processing, and restaurant industries. The resources requested, which will primarily augment DLSE's Bureau of Field Enforcement (BOFE), also include resources for the following functions within the division, which will see a growth in workload once BOFE implements an expanded strategic enforcement model: Wage Claim Adjudication (WCA); Retaliation Complaint Investigation (RCI); Judgment Enforcement Unit (JEU); and DLSE Legal.

Positions and resources will be phased in over a three-year period as displayed below to allow sufficient time for hiring and training. See Attachment I for positions by classification, unit and FY.

31.0 positions and \$4.6 million in FY 2017/18

58.5 positions and \$8.6 million in FY 2018/19

82.5 positions and \$11.6 million in FY 2019/20 (\$11.4 million in 2020/21 and ongoing)

This proposal also includes proposed trailer bill language to increase the overall effectiveness of labor law enforcement.

### B. Background/History

The DLSE, also referred to as the Labor Commissioner's Office, is tasked with combatting wage theft, protecting workers from retaliation, and enforcing labor laws pertaining to overtime, child labor, meal and rest periods, and prevailing wage law on public works projects within California. Since DLSE's inception, California has become one of the country's principal leaders in championing workers' rights as well as protecting the states' most vulnerable workers from exploitation, while protecting law-abiding businesses from unfair competition from those employers those who violate labor law.

The WCA unit within the Labor Commissioner's Office adjudicates individual wage claims pursuant to Labor Code sections 96 and 98 filed by workers seeking to recover unpaid wages, unpaid vacation or sick leave, missed meal and rest breaks, applicable penalties, as well as other demands for compensation which includes violations of Industrial Welfare Commission Wage Orders. Further, the WCA adjudicates appeals filed by employers who have been issued citations by the BOFE.

The RCI unit accepts complaints from employees and job applicants who suffer retaliation because they engage in an activity protected by any law under the jurisdiction of the Labor Commissioner<sup>1</sup>. The most common allegations of retaliation are for filing or threatening to file a labor law violation complaint with the Labor Commissioner or for complaining about dangerous working conditions.

DLSE's JEU handles collection efforts for the division including obtaining judgments and property liens against employers with unpaid determinations and citations. Senate Bill (SB) 588 (Chapter 803, Statutes of 2015) gave significant new powers to DLSE, the most important of which is the ability to directly issue a levy upon the bank accounts as well as real and personal property of employers with unpaid judgments or citations.

The DLSE Legal unit consists of the Labor Commissioner's attorneys, who are tasked with presenting civil cases at both the trial and appellate level, as well as pursuing cases involving violations of the

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<sup>1</sup> California Labor Code section 1102.5 subsections (a)(b)(c) and (d).

## Analysis of Problem

prevailing wage provisions of the public works laws. The majority of cases involve issues of unpaid wages that have arisen as a result of an appeal taken from an order, decision, or award of the Labor Commissioner.

The BOFE unit is responsible for the investigation and enforcement of Labor Code violations covering workers' compensation insurance coverage, child labor laws, unlicensed contractors, Industrial Welfare Commission wage orders, as well as, group claims involving minimum wage and overtime claims. The BOFE unit also handles criminal investigations involving these group claims. BOFE conducts inspections of industries to ensure compliance with California's labor laws mainly through complaint-driven investigations. The Labor Commissioner is charged with identifying priority areas for field investigations. BOFE's primary responsibility is to administer and enforce statutes and regulations within the jurisdiction of the division through field investigations (Labor Code § 90.5) and the Labor Commissioner may prosecute all actions for the collection of wages, penalties and demands of persons who are financially unable to employ counsel (Labor Code § 98.3).

The 2016/17 Budget Act included an augmentation of \$5 million from the LECF and 28.5 positions to address a significant increase in the number of cases within the RCI unit and a growing backlog of hearings in the WCA unit. The primary focus of this proposal is to augment and increase the effectiveness of BOFE investigations and labor law enforcement capacity. While BOFE has been successful in discovering violations, the preponderance of investigations have been in response to complaints received. A strictly complaint-based enforcement strategy is not sufficient, has been proven not to be the most effective way, and cannot make substantial, long-lasting impacts in combatting wage theft.

This proposal will allow the DLSE to migrate from a complaint centric system of labor law enforcement to a more proactive strategic enforcement model, but also begin to address the systemic geographic and caseload disparity that exists due to current Deputy Labor Commissioner staffing levels. Attachment II, Distribution of California Businesses by Size and County, shows a breakdown of BOFE staff compared to: 1) the geographic area of responsibility by Regional Office; and 2) the number of businesses for that geographical region.

### DLSE Resource History (Dollars in thousands)

Program Budget	2011/12	2012/13	2013/14	2014/15	2015/16
Authorized Expenditures	\$51,126	\$59,453	\$66,387	\$71,382	\$72,947
Actual Expenditures	\$50,283	\$55,158	\$62,097	\$66,370	\$70,060
Authorized Positions	491.3	493.9	496.9	492.4	496.4
Filled Positions	366.2	412.0	414.6	426.6	419.6
Vacancies <sup>2</sup>	125.1	81.9	82.3	65.8	76.8

### Workload History\* (Dollars in thousands)

Workload Measure	2011/12	2012/13	2013/14	2014/15	2015/16
Investigations	5,144	4,802	3,792	2,994	2,458
Citations Issued	3,498	3,349	2,664	2,488	2,072
Penalties Assessed	\$33,439	\$37,898	\$27,783	\$19,028	\$18,262
Penalties Collected	\$6,588	\$8,378	\$7,882	\$7,853	\$6,260

\* Source: DLSE's Annual BOFE Report to the Legislature, published on DLSE's webpage.

<sup>2</sup> Vacancies in FY 2011/12, FY 2012/13 and FY 2013/14 were higher than average due to the large number of Public Works positions that were held vacant due to insufficient funding in support of the State Public Works Enforcement Fund.

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### C. State Level Considerations

This proposal does not affect any other state department.

### D. Justification

As mentioned above, this proposal requests additional resources for the BOFE, WCA, RCI, JEU and Legal functions of DLSE as discussed below:

- 1) **Bureau of Field Enforcement:** Total of 62.0 positions (5.0 – Deputy Labor Commissioner (DLC) III, 7.0 – DLC II, 20.0 – DLC I, 10.0 – Industrial Relations Representative (IRR), 12.0 – Auditor I, and 8.0 – Office Technician (OT)-Typing) which will be established over three fiscal years.

California has over 711,000 businesses which report employing 13.4 million California workers. This does not include nearly 3 million small California businesses who report no employees on payroll. Some studies have indicated that as much as 10 to 20 percent of small businesses may misclassify employees as independent contractors, unlawfully depriving them of protections of California labor laws, and thereby gaining a competitive advantage over law-abiding businesses.

The Labor Commissioner's BOFE conducts investigations of employers and assesses wages owed and civil penalties for non-compliance with wage and hour laws, workers' compensation, and business licensing and registration requirements. BOFE plays a critical role in fulfilling the Labor Commissioner's mission of ensuring workers are paid their lawful wages and legitimate employers are not forced to compete against those operating illegally in the underground economy.

In 2011, the Labor Commissioner's office was facing several significant challenges within its field enforcement unit. The "sweep" approach did not prioritize uncovering wage theft, instead focusing heavily on violations that were relatively easier to detect on paper (failure to carry workers' compensation or to get a required license). Given the resources BOFE had, this was considered the only way to do enforcement. Higher quality, in-depth investigations require more time, training, research and analysis, auditing, and strategic thinking.

At the same time, numerous studies put the incidence of wage theft at staggering levels. The United States Department of Labor reported in 2014 that the California minimum wage law is violated 372,000 times per week, and that over 1 in 10 workers in California are paid less than the minimum wage. An oft-cited 2010 report<sup>3</sup> by the University of California, Los Angeles (UCLA) Labor Center estimates that front-line workers in Los Angeles County lose \$26.2 million per week in stolen wages.

Given the above, it is imperative that BOFE make internal changes in the way investigations are conducted. Strategic enforcement has a more viable chance at uncovering wage theft and understanding the intricacies of industries where wage theft is most rampant. A greater focus on earning worker trust and providing much needed support to the impacted worker victim witnesses contributes to successful wage citations.

#### ***a. Increasing Capacity***

As the BOFE transitions to a strategic enforcement approach, the division needs adequate staffing levels in order to carry out its mission of combating wage theft and the underground economy. BOFE has been tasked with increasingly complex investigations and a broader mandate to combat wage theft in all forms. The need is clear as wage theft costs workers 50 billion dollars each year and the minimum wage law is violated 372,000 times each week in California alone.<sup>4</sup>

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<sup>3</sup> The 2010 UCLA report, entitled 'Wage Theft and Workplace Violations in Los Angeles,' was based on a 2008 survey of low-wage workers in New York, Chicago, and Los Angeles, entitled 'Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities'.

<sup>4</sup> All other robberies, burglaries, larcenies, and motor vehicle thefts cost victims less than \$14 billion in 2012; See Economic Policy Institute, *An Epidemic of Wage Theft is Costing Workers Hundreds of Millions of Dollars a Year*, 2014; see Department of Labor, December 2014.

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New York is similar to California in the progressive nature of its labor laws, its increases to the minimum wage, its efforts to conduct strategic, proactive enforcement, and its significant numbers of employers in industries that are known to have high labor standards non-compliance rates. Based on the national Bureau of Labor Statistics data, New York has approximately 445,000 businesses with employees while California has 711,000. New York has 129 investigators while California has 156 investigators (including Auditors in BOFE and WCA investigators). This request would create a similar investigator to businesses ratio in California. The resources requested by the proposal will assist the division to implement proactive labor law enforcement; 62.0 of the 82.0 (or 75 percent) positions requested by this proposal are dedicated to BOFE.

The number of DLSE positions dedicated to investigating and enforcing California's labor laws has fluctuated over the years. Unique to California is the WCA unit, which addresses all complaints regarding unpaid wages or other compensation filed either through a settlement conference or hearing. This process does not exist in other states, so for purposes of counting the number of staff dedicated to labor law enforcement, IRR and DLC I positions in WCA are included. By reviewing historical DLSE staffing and labor market data provided by the Employment Development Department (EDD), the number of California workers for every DLSE investigator for the past 38 years can be reviewed. For 2016/17, DLSE has a total of 229 investigators in the WCA, BOFE, Public Works, RCI and JEU, resulting in a ratio of about one investigator for every 84,000 Californian's in the labor market (employed and unemployed). In 1982/83, there was one investigator for every 76,000 people in the labor market.

The graph in Attachment III shows how this ratio has fluctuated over the past four decades and six administrations. California's ratios have been much higher over that period. However, there are a number of reasons why we should have a lower ratio of investigators to workers today than we had 40 years ago. First, there are significantly more labor laws in statute. California has adopted dozens of additional protections for workers pertaining to meal and rest breaks, overtime, retaliation, and sick leave; many of which exceed federal standards. Second, union representation of private sector workers dropped from 19 percent in 1981 to less than 8 percent in 2006. This decline results in fewer worker advocates looking for violations and workers having a weaker voice in the workplace when violations are discovered. The employer-employee relationship is also more fractured and complicated now with the increased reliance on contract work, temp work, and other arm's length employment relationships in labor-intensive industries such as garment work, long-term care, warehouses, and janitorial services. Finally, California's recent and upcoming increases to the minimum wage will increase the incentive for employers to break wage laws.

Attachment II demonstrates how thinly BOFE investigators are spread throughout the state. For example, there are a total of two investigators to enforce labor standards in 86,545 businesses in Alameda and Contra Costa counties.

Another way to evaluate the need for greater capacity is through a more detailed look at some of the high-violation industries. For example, a quick look at restaurant, carwash, agriculture, janitorial and residential care homes further supports the need for increasing BOFE capacity.

**Restaurant:** The Labor Commissioner conducted inspections of buffet restaurants in Contra Costa County and found rampant violations, workers working 12 hours a day, 7 days a week, and paid in cash less than \$2 per hour. DLSE successfully investigated about 7-8 cases and worked with the Contra Costa District Attorney which had 20 cases with suspected violations. In 2012 in San Francisco alone, DLSE worked with local partners and recovered nearly a million dollars for the city's restaurant workers. In 2014, BOFE successfully investigated a restaurant in San Francisco, Yank Sing, resulting in a \$4 million dollar settlement for unpaid wages and changes to the restaurant's employment policies and practices. While the division has conducted some high impact cases in the restaurant industry, finding minimum wage and overtime violations across the State, additional cases are needed to be an effective deterrent. The resources provided by this proposal will help address this need.

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**Carwash and Agriculture:** Employers in these industries are required to register with the Labor Commissioner. In carwash, BOFE does not have staff to do both the in-depth wage theft work (digging deep for violations to get wages into workers' pockets) and investigate failure to register (quicker in-and-out inspections with the aim of hitting a larger number of employers in a short time). Both are important for getting full compliance. In carwash, there are 3,600 businesses listed in California but only about 1,100 registered. That leaves approximately 2,500 out of compliance with just the registration requirement alone. In the past few years, BOFE has combined in-depth investigations with once a year operations focused just on identifying unregistered carwashes. However, these operations are resource-intensive. The same applies to the other industries where registration is required: agriculture and garment. Additionally, the consequences of non-compliance can negatively impact an otherwise law-abiding agricultural business, as the failure of a farm labor contractor (FLC) to register means the employer contracting with the unregistered entity becomes a joint employer, and thereby subject to any fines or penalties arising from the FLCs non-compliance. With the requested resources, scofflaw contractors will be more readily identified and all growers will have a greater incentive to give work to legitimate registered contractors. Finally, these are industries with strong successor liability laws. These tools allow the division to address the shell game of employers who close down and re-open under new names or family member owners to avoid wage judgments.

**Janitorial:** Due to improvements in the investigative processes in the last 4 years, DLSE has taken cases that were presumed dead and revitalized them and cited janitorial employers for wage violations. However, janitorial cases are difficult because they often involve ownership with multiple layers of subcontracting, mid-range subcontractors who employ other very small subcontractors at the bottom, who engage in middle-of-the-night work in locked office buildings. This also has required a significant amount of legal resources for each case. Nonetheless, the division has taken the position that the hardest industries are not the ones to run from, but they are where the most vulnerable workers need protection. With the requested resources, DLSE will work with employers to identify the scofflaw owners and contractors, pursue strategic investigations against repeat violators, and better encourage building owners to contract only with legitimate businesses. Anecdotally we know that many of these businesses are long-time employers, some of them second-generation family-owned, who are desperate for DLSE to enforce the laws so they do not have to close their doors in the face of underground competitors who bid lower for work because they do not pay their workers legally. In 2016, the Employment Development Department (EDD) reports that there are 25,000 employers who provide services to buildings and more than 4,000 employers provide janitorial services specifically. An analysis of these 4,000 employers showed that more than 90 percent of these employers report less than 10 employees. This year the watchdog group, Maintenance Cooperation Trust Fund, visited over 2,000 buildings throughout California and spoke with 442 janitors who reported 115 employers. Approximately 50 percent of the janitors reported a current wage theft condition. This sample set suggests that there may be systemic wage theft in this industry and a degree of misclassification which cannot be fully known at this time, underscoring the need for increased strategic enforcement.

**Residential care homes:** The industry group 6 Beds Inc. estimates that there are 6,400 businesses with about 225,000 workers in this industry. BOFE investigations in this industry to date have revealed egregious violations of basic labor laws, including a single investigation in 2015 where the employer was cited for \$2.2 million for underpayment of wages and liquidated damages.

The resources requested by this proposal will create the potential for industry-wide impact by reducing the threat of wage theft to some of California's most vulnerable workers, and by leveling the playing field for those employers who currently abide by the law. When an industry is plagued by a disproportionate amount of scofflaw employers, not only additional resources but effective strategy is required to help ensure an enforcement level that is sufficient to tip the scales and create the possibility to make compliance the dominant practice. In these industries, where workers also work long hours and are often denied overtime, meal and rest breaks, the division must have the capacity to uncover serious violations and able to see the investigations through to the end (which can take a year or more).

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The division will seek to accomplish this goal through the utilization of increased resources, but also through the deployment of a more effective enforcement strategy.

### ***b. Strategic Enforcement Approach Implementation***

The Labor Commissioner uses a Report of Labor Law Violation form for complaints about workplace abuses. These complaints are one trigger for investigation. However, complaint-driven investigations are limited in their impact. First, given the lack of resources for enforcement, a more strategic focus is needed to influence behavior. Second, focusing solely on complaints ignores the reality that many of the most vulnerable and powerless workers are the least likely to complain.

This is supported by independent analysis conducted by David Weil<sup>5</sup> which determined that there was not a strong correlation between high complaint rates and high non-compliance rates for wage and hour violations. Further analysis of this relationship on an industry by industry level demonstrated how a complaint-based strategy would leave out specific industries with high non-compliance rates.

Though resources within DLSE are limited, BOFE has begun to use a more strategic approach toward enforcement. BOFE has developed effective strategic partnerships with community-based organizations, employer associations, industry associations and unions which have become some of the most effective enforcement tools available. With the assistance of these partners, BOFE is able to better identify particularly egregious bad actors. As a result, BOFE investigations are more effective when these partners are able to use their long-standing trust from the community to persuade workers to cooperate with investigations, allowing for more efficient audits for unpaid wages and civil penalties. More importantly, strategic partnerships amplify the overall impact of investigations to spread the results to both the community and industry.

This strategic approach effectively serves two goals. First, it has a large deterrent effect on bad actors who would otherwise participate in the underground economy by exploiting their workers and gaining an unfair competitive over legitimate businesses. Second, it empowers the community to speak out and file complaints against these bad actors that commit wage theft and undercut the business of law-abiding employers. While BOFE seeks to build on this new and proven industry-driven enforcement strategy, achieving consistent and substantial investigative results will be impossible without a significant expansion of its resources.

An example of this strategic approach is seen in BOFE's work in the janitorial industry and its relationship with key partners in the industry, including the Maintenance Cooperative Trust Fund (MCTF) and the Janitorial Advisory Board, made up of worker groups, prominent employers, and unions. They are the experts on janitorial industry in California and the cooperative effort lead to a case against Scientific Concepts, where over \$963,000 in wages and penalties were issued for 182 former and current janitorial workers. MCTF and the Janitorial Advisory Board have successfully used this case and others like it to persuade property management companies to stay away from bad actors and only hire lawful companies.

Another example involves the Yank Sing restaurant in San Francisco where wage violation investigators on an initial site visit had been unable to get workers to tell them the truth about not having been paid the minimum wage and were not able to conduct an accurate audit because the restaurant falsified their payroll records. Community organizers from the Chinese Progressive Association and Asian Law Caucus went to work conducting house visits and one-on-one meetings and persuaded workers to overcome their fears and come forward to claim their unpaid wages. The result of this joint work by these community organizations and the Labor Commissioner was a \$4 million settlement in favor of the workers.

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<sup>5</sup> Weil, David (2008). "A strategic approach to labour inspection" *International Labour Review*.

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The Yank Sing restaurant workers had feared that if they spoke the truth about their working conditions, they would lose their jobs or suffer immigration consequences. Community organizers, who already had a reputation of trust and familiarity within the restaurant workers' community, were essential to supporting the workers' claims through ongoing support of cultural and language services and investigation. Without the community partnerships, the Labor Commissioner would have been hard pressed to recover the workers' wages or rectify the restaurant's illegal business practices.

The BOFE is looking to build on this new and successful industry-driven enforcement strategy; however achieving consistent and substantial investigations, as the ones described above, will be impossible without an expansion of resources. The strategic approach to labor enforcement is much more labor intensive than the current complaint-driven approach (generally responding to one complaint of one business by one worker). The industries that BOFE identified as having the greatest need for additional enforcement are janitorial/hotel housekeeping, construction, agriculture and food processing, residential care homes, car wash, garment, and restaurants. BOFE investigators will build relationships with advocates and employer groups and associations in each of these industries in order to develop strong investigative leads. Extensive pre-inspection work will also need to be conducted to research the legal owners, assets, and various locations of the business, collaborate with any partner agencies that have enforcement responsibilities (e.g. EDD or Contractor's State License Board), conduct worker interviews, surveillance, and drafting subpoenas and Orders to Appear. After the inspection, several days are needed just to audit the payroll records alone, as labor law allows workers to be paid for violations occurring three years prior. Follow up interviews with both workers and the employer is also required to go over the materials collected at the inspection.

Because this approach is relatively new for BOFE, is so labor intensive, and will vary from industry to industry, it is not yet known how many additional investigations will result from these resources. DLSE will track all strategic enforcement inspections and incorporate all results into future annual BOFE reports to the Legislature.

**2) Wage Claim Adjudication:** Total of 3.5 positions (2.5 – DLC II and 1.0 – OT-Typing) to be established in FY 2018/19.

Among their other duties, WCA is responsible for adjudicating the appeals filed by employers who have been issued citations through the BOFE efforts. The citations issued by BOFE have been increasing in their complexity and in assessed values, resulting in more appeals being filed by employers as well as substantially increasing the time needed for WCA to complete the appeal hearing process.

With the implementation of strategic enforcement efforts, BOFE estimates an additional 111 investigations annually. Due to the complexity of the cases and the large assessed values, the employer has nothing to lose by appealing these citations. Therefore, appeals could rise to as high as 95 percent or approximately 105 appeals, annually. Unfortunately it may be too soon to know for sure the exact impact BOFE's strategic enforcement approach will have on WCA's appeals. Due to this uncertainty DLSE is only requesting 2.5 Hearing Officers (DLC II) and 1.0 Clerical (OT -Typing) at this time, to be established in FY 2018/19. BOFE estimates on average it takes about 80 hours to adjudicate these types of appeals. With the resources requested, WCA estimates it will be able to adjudicate approximately 55 additional appeals annually.

**3) Retaliation Complaint Investigation:** Total of 4.0 positions (4.0 - Industrial Relations Counsel (IRC) III-Specialist) which will be established over two fiscal years and funding for a total of 6.0 IRC III-Specialist positions including ongoing funding for 2.0 positions that were previously approved in the FY 2016/17 DLSE Resources BCP with limited-term funding.

Unlike other enforcement actions within DIR, where citations and determinations are legally binding and enforceable; retaliation determinations must be proven in court. Within recent history, there have been approximately 50 retaliation determinations against employers a year, which requires DLSE attorneys to try the case in court in order to enforce RCI determinations and recover wages and penalties on

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behalf of the worker. In addition to this workload the RCI attorneys also provide consultative services to DLC Is on active investigations, research recent legislation to determine the impact on the retaliation cases (two recent examples include AB 1509 (2015), which affected the definition of retaliation based on gender; and AB 2751 (2014) which provides that a \$10,000 civil penalty for a retaliation violation is payable to the employee), updating RCI's Legal Manual and publications, addressing specific requests from the Labor Commissioner regarding retaliation law, and enforcing judgments once they are issued by a court (property liens, bank levies, etc.).

### ***a. Fast Track Investigations***

Currently, DLSE utilizes a Fast Track approach to retaliation that flows from a BOFE investigation. The Fast Track approach is intended to promptly facilitate reinstatement and other remedies and to deter further retaliation. Unfortunately, RCI's limited legal resources have meant delays in the enforcement of these Fast Track cases. The legal positions requested by this proposal will help ensure that RCI can more effectively handle these Fast Track cases in a timely manner.

### ***b. RCI Attorney to Investigator Ratio***

Additionally, DLSE's RCI attorney to investigator ratio of 1 to 13 is much higher as compared to other state entities with comparable enforcement responsibilities such as the Department of Fair Employment and Housing that has a ratio of 1 to 4. To address this, DLSE requests additional RCI legal resources to bring attorney resources more in line with other agencies.

**4) Judgment Enforcement Unit:** Total of 5.0 positions (4.0 – DLC I and 1.0 – OT-Typing) which will be established over three fiscal years.

Catching law-breaking employers is only successful to the extent that they are held accountable for their actions. If an employer is able to steal wages and never held liable for payment of those wages, to some extent, the enforcement efforts are in vain. Collecting wages from enforcement actions and wage claims has been a serious problem based on a recent review of DLSE data. A joint report by the National Employment Law Project and the University of California, Los Angeles Labor Center, titled 'Hollow Victories: A Crisis in Collecting Unpaid Wages for California's Workers' reviewed DLSE data from 2008 to 2011 and interviewed 50 workers in 2013 who had attempted to collect unpaid wages through the legal channels in California.

Only 17 percent of workers who received a judgment from DLSE received any payment at all and of the \$282 million in unpaid wages that were awarded, only \$42 million was collected (15 percent). Sixty percent of judgments for unpaid wages were found to be against "non-active" business entities and in nearly half of these cases; the business went non-active before DLSE's hearing decision. Results like these show employers that there are not significant ramifications for violating labor laws because even if they are caught, avoiding paying the stolen wages appears to be fairly easy.

DLSE's JEU is a small unit that obtains judgments for unpaid wage awards and un-appealed citations. It also obtains property liens against employers with unpaid determinations and citations in hopes of collecting once the owner attempts to sell or transfer the property. SB 588 (2015) provided DLSE with more authority to improve DLSE's overall collection rate (includes collection for all citations, fines, penalties, and unpaid wage awards) which was measured at only 12 percent from 2008 to 2011. Without sufficient resources to complement increased enforcement efforts, the JEU will not be able to keep up with increasing demands as a result of this strategic enforcement.

That said, even the best private debt collection services in the country achieve marginal success when collecting delinquent debt, with the national average collection rate being 17 percent, with a median collection rate of 11.7 percent<sup>6</sup>. DLSE's overall collection rate of 12 percent can be considered

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<sup>6</sup> American Collectors Association 2010 Benchmarking Survey

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average, and the five year average collection rate of approximately 52 percent for unpaid wages through the 2013/14 fiscal year<sup>7</sup> should be considered commendable. However, even a collection rate of 52 percent means that there is an average of \$16.4 million in uncollected wages on an annual basis, affecting thousands of workers each year who are left without redress or remedy. Therefore, the department will continue to evaluate the efficacy of DLSE's collections efforts over time to ascertain if additional steps need to be taken to provide relief to workers who have been defrauded of their pay.

**5) DLSE Legal unit:** Total of 8.0 positions (8.0 - IRC III-Specialist) which will be established over three fiscal years.

Having sufficient legal consultation services throughout the process is vital, as these inspections are likely to generate significant liabilities for businesses and are likely to be appealed. Legal resources are also important in to identify legal assets and any corporate relationships that may exist between the businesses and its owners, ensuring a more beneficial outcome for the claimants as well as DLSE's collection efforts.

## E. Outcomes and Accountability

This proposal will achieve the following outcomes:

1. Implement an enhanced, proactive, strategic enforcement model in BOFE to provide improved protection to workers of a wider range of industries. This includes better targeting of bad actors, more thorough investigations resulting in wage and penalty citations that are upheld if appealed.
2. Increase enforcement in general, and increase targeted inspections in those industries which have the greatest need: janitorial/hotel housekeeping, construction, agriculture and food processing, residential care homes, car wash, garment, and restaurants<sup>8</sup>.
3. Build sustainable strategic enforcement system in California. Institutionalize the partnerships that lead to better targets and more collaboration, feeding a cycle of success.
4. Increased engagement of high road employers in advocating for better working conditions. Currently, the Labor Commissioner meets with employers in each of the industries identified. One outcome of this proposal is to grow the number of employers in each industry who take a proactive role in advocating for enforcement, identifying scofflaw competitors, and supporting policies and resources to increase enforcement.
5. Continue achieving historical collection rates as enforcement actions increase.
6. Enable the division to provide more effective investigative and administrative support.

## F. Analysis of All Feasible Alternatives

**Alternative 1:** Do Nothing

Pro: No additional resources would be required.

Con: This alternative will fail to provide the necessary resources to enable DLSE's BOFE unit to effectively implement its strategic enforcement approach. BOFE will instead have to continue with its current complaint-driven approach, which has been determined to be less effective at protecting California's workforce.

**Alternative 2:** Approve proposal with BOFE resources only

Pro: This option would only require the approval of the resources needed to enable DLSE's BOFE unit to implement its strategic enforcement reducing the ongoing request by approximately \$4.0 million annually.

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<sup>7</sup> Based on BOFE reports submitted to the Legislature.

<sup>8</sup> The enforcement focus may be adjusted from year-to-year based on empirical data.

## Analysis of Problem

Con: This option does not address the corresponding impact on other DLSE units.

**Alternative 3:** Approve as proposed

Pro: This alternative is recommended. This proposal will provide the essential resources needed to enable DLSE's BOFE unit to effectively implement its Strategic Enforcement approach as well providing DLSE's other units with the corresponding resources.

Con: Additional costs to the state.

### G. Implementation Plan

DIR would begin hiring once this proposal is approved and the funds are appropriated, as the prescribed authorized positions are established. Resources would be augmented to support the functioning described in this proposal. Improved tracking, review and monitoring will enable ongoing evaluation of performance and progress in handling filings administratively, as deemed appropriate. Reports will be reviewed and updated for management review and for purposes of informing the administration of cost avoidance achieved through this proposal.

### H. Supplemental Information

None

### I. Recommendation

Approve proposal as requested. This enhancement will be funded by the LECF (see Attachment IV for the Fund Condition Statement).

**Department of Industrial Relations**

**Attachment I**

**Division of Labor Standards Enforcement**

**Fiscal Year 2017/18 Strategic Enforcement of Labor Standards BCP**

**Three-Year Phase-In of Positions by Unit and Fiscal Year**

	<b>Fiscal Year 2017/18</b>					
	<b>BOFE</b>	<b>WCA</b>	<b>RCI</b>	<b>JEU</b>	<b>Legal</b>	<b>Totals</b>
Industrial Relations Counsel III-Spec			2.0		3.0	5.0
Industrial Relations Counsel III-Spec <sup>1/</sup>						0.0
Deputy Labor Commissioner III	5.0					5.0
Deputy Labor Commissioner II	3.0					3.0
Deputy Labor Commissioner I	6.0			2.0		8.0
Industrial Relations Representative	3.0					3.0
Auditor I	4.0					4.0
Office Technician	3.0					3.0
<b>Total Positions, FY 2017/18</b>	<b>24.0</b>	<b>0.0</b>	<b>2.0</b>	<b>2.0</b>	<b>3.0</b>	<b>31.0</b>

	<b>Fiscal Year 2018/19</b>					
	<b>BOFE</b>	<b>WCA</b>	<b>RCI</b>	<b>JEU</b>	<b>Legal</b>	<b>Totals</b>
Industrial Relations Counsel III-Spec			4.0		5.0	9.0
Industrial Relations Counsel III-Spec <sup>1/</sup>			(2.0)			0.0
Deputy Labor Commissioner III	5.0					5.0
Deputy Labor Commissioner II	5.0	2.5				7.5
Deputy Labor Commissioner I	13.0			3.0		16.0
Industrial Relations Representative	7.0					7.0
Auditor I	8.0					8.0
Office Technician	5.0	1.0				6.0
<b>Total Positions, FY 2018/19</b>	<b>43.0</b>	<b>3.5</b>	<b>4.0</b>	<b>3.0</b>	<b>5.0</b>	<b>58.5</b>

	<b>Fiscal Year 2019/20</b>					
	<b>BOFE</b>	<b>WCA</b>	<b>RCI</b>	<b>JEU</b>	<b>Legal</b>	<b>Totals</b>
Industrial Relations Counsel III-Spec			4.0		8.0	12.0
Industrial Relations Counsel III-Spec <sup>1/</sup>			(2.0)			0.0
Deputy Labor Commissioner III	5.0					5.0
Deputy Labor Commissioner II	7.0	2.5				9.5
Deputy Labor Commissioner I	20.0			4.0		24.0
Industrial Relations Representative	10.0					10.0
Auditor I	12.0					12.0
Office Technician	8.0	1.0		1.0		10.0
<b>Total Positions, FY 2019/20</b>	<b>62.0</b>	<b>3.5</b>	<b>4.0</b>	<b>5.0</b>	<b>8.0</b>	<b>82.5</b>

<sup>1/</sup> Resources include ongoing funding for 2.0 Industrial Relations Counsel III-Specialist positions approved with limited-term funding in the 2016/17 DLSE Resources BCP.

**Distribution of California Businesses by Size and County****Notes regarding data**

Data were obtained from EDD's Labor Market Information Division's Size of Business Data webpage<sup>1</sup> and cover the third quarter of 2014. According to the data Terms and Source Notes for Size of Business Report webpage,<sup>2</sup> the data capture wages and businesses employing workers paid in excess of \$100 during the calendar quarter and not engaged in an exempt activity during the pay period containing September 12, 2014, regardless of pay period type (weekly, bi-weekly, semi-monthly, monthly). The notes explain that individuals excluded from unemployment insurance coverage are:

- interstate railroad employees
- self-employed individuals
- some domestic service in private homes
- children under 18 employed by a parent
- persons employed by a son, daughter, or spouse
- certain athletes during off-season training
- illegal aliens
- professional and non-professional employees of public and nonprofit schools during periods between academic years or terms
- all school employees of public and nonprofit schools during vacation or holidays
- and certain other small groups of workers

The following EDD table footnotes were not renumbered for this document and are defined here instead of at every page:

- (1) Data are confidential if there are fewer than 3 businesses in a category or one employer makes up 80 percent or more of the employment in a category.
- (2) Data are suppressed because confidential data could be extrapolated if these totals were included.

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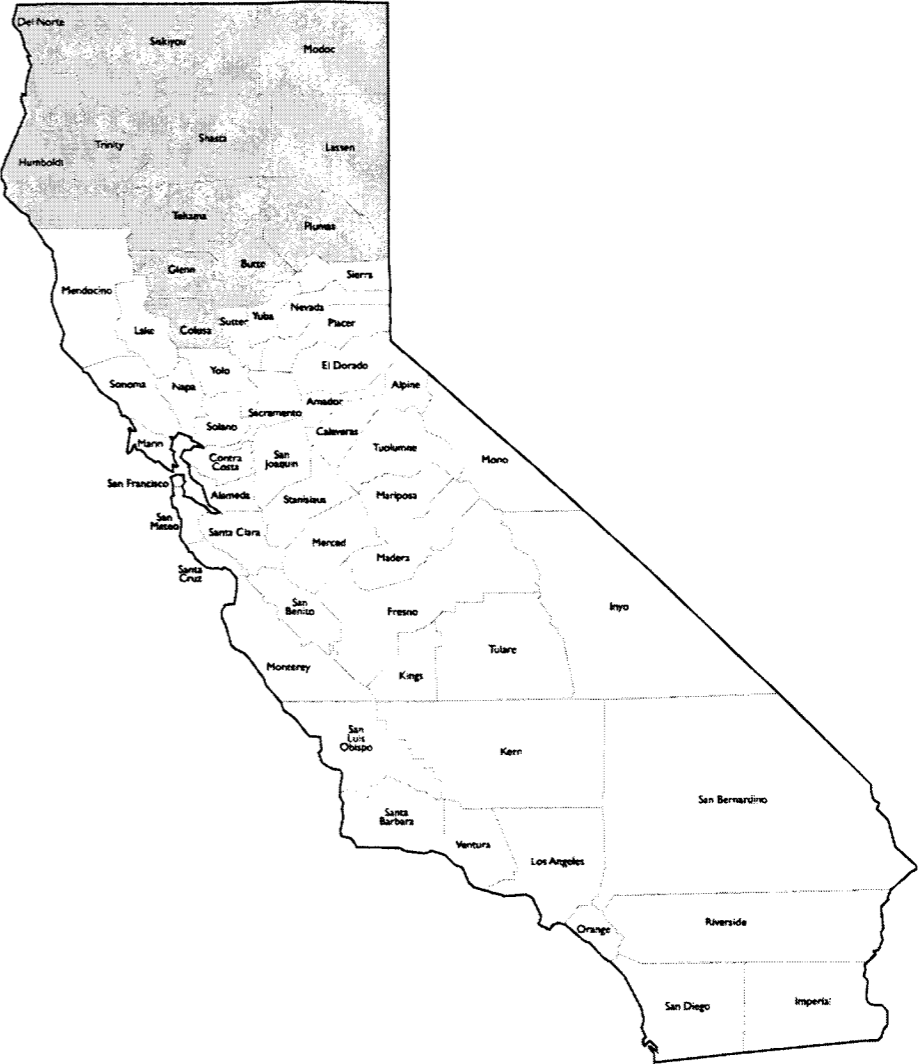
<sup>1</sup> [http://www.labormarketinfo.edd.ca.gov/LMID/Size\\_of\\_Business\\_Data.html](http://www.labormarketinfo.edd.ca.gov/LMID/Size_of_Business_Data.html)

<sup>2</sup> [http://www.labormarketinfo.edd.ca.gov/LMID/Size\\_of\\_Business\\_Report\\_Terms.html](http://www.labormarketinfo.edd.ca.gov/LMID/Size_of_Business_Report_Terms.html)

**BOFE Redding Office**

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Butte	\$693,458	7,771	5,075	1,166	729	530	183	63	14	7
Colusa	\$92,024	785	460	154	89	50	16	(2)	3	(1)
Del Norte	\$65,197	787	518	111	62	57	23	(2)	(1)	0
Glenn	\$76,464	1,143	823	137	91	59	21	8	4	0
Humboldt	\$412,516	4,669	2,842	759	555	352	115	34	9	3
Lassen	\$109,435	731	444	105	74	68	22	15	(1)	0
Modoc	\$25,279	363	242	51	31	31	(2)	(1)	0	0
Plumas	\$63,091	805	536	129	73	41	17	(2)	(1)	0
Shasta	\$598,235	6,499	4,273	923	637	445	141	62	12	(2)
Siskiyou	\$120,972	1,613	1,020	255	174	120	30	11	3	0
Sutter	\$275,234	2,939	1,896	416	300	211	75	31	(2)	(1)
Tehama	\$155,240	1,727	1,185	225	147	102	41	17	(2)	(1)
Trinity	\$25,358	383	254	70	31	19	5	(2)	(1)	0
Yuba	\$175,931	1,552	1,079	174	135	100	41	16	(2)	(1)
Totals:	\$2,888,434	31,767	20,647	4,675	3,128	2,185	728	257	45	10

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	1		1										



BOFE Sacramento Office

Counties	Payroll for 2014, Q3	Total	Number of Businesses by Size Category							
	(in thousands)		0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
El Dorado	\$530,746	4,859	3,089	776	511	311	103	53	(2)	6
Nevada	\$293,725	3,404	2,214	535	345	206	70	28	(2)	(1)
Placer	\$1,738,804	11,281	6,791	1,844	1,204	884	340	170	31	8
Sacramento	\$8,401,953	52,406	34,723	6,554	5,041	3,784	1,337	744	144	46
Sierra	\$5,910	111	76	15	11	(2)	(1)	0	0	0
Solano	\$1,583,575	10,254	6,544	1,452	978	772	314	142	33	10
Sutter	\$275,234	2,939	1,896	416	300	211	75	31	(2)	(1)
Yolo	\$1,266,297	6,105	3,932	805	603	464	177	88	19	12
Totals:	\$14,096,244	91,359	59,265	12,397	8,993	6,632	2,416	1,256	227	82

Program	ALL	BOFE				EETF				LETf			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	3		1				1				1		



BOFE Stockton Office

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Alpine	\$7,630	96	72	12	6	3	3	0	0	0
Amador	\$117,107	1,044	617	187	112	79	33	13	(1)	(1)
Calaveras	\$74,406	1,234	855	189	103	62	17	(2)	(1)	0
San Joaquin	\$2,301,401	16,611	10,382	2,281	1,707	1,347	540	258	65	16
Stanislaus	\$1,849,376	14,290	9,238	1,884	1,417	1,074	395	210	44	21
Tuolumne	\$163,438	1,558	926	279	166	124	42	17	(1)	(1)
Totals:	\$4,513,358	34,833	22,090	4,832	3,511	2,689	1,030	498	109	37

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	2		2										



BOFE Santa Rosa Office

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Lake	\$131,217	2,818	2,286	244	143	91	33	15	6	0
Marin	\$1,607,479	11,924	8,087	1,663	1,050	702	274	117	17	(2)
Mendocino	\$276,013	4,062	2,778	562	368	233	84	28	(2)	(1)
Napa	\$875,355	5,471	3,141	904	607	484	208	99	20	(2)
Sonoma	\$2,234,830	18,803	12,104	2,784	1,849	1,343	443	224	40	8
Totals:	\$5,124,894	43,078	28,396	6,157	4,017	2,853	1,042	483	83	8

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	1		1										



BOFE Oakland Office

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Alameda	\$11,333,148	56,941	39,027	6,688	4,891	3,830	1,395	791	218	57
Contra Costa	\$5,027,938	29,604	19,646	3,989	2,767	1,893	791	391	78	31
Totals:	\$16,361,086	86,545	58,673	10,677	7,658	5,723	2,186	1,182	296	88

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	2	1					1						



BOFE San Francisco Office

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
San Francisco	\$14,123,958	57,138	41,307	6,222	4,477	3,110	1,104	622	180	72
San Mateo	\$8,878,169	25,804	16,291	3,737	2,563	1,923	736	391	92	43
Totals:	\$23,002,127	82,942	57,598	9,959	7,040	5,033	1,840	1,013	272	115

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	2										2		



BOFE San Jose Office

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
San Mateo	\$8,878,169	25,804	16,291	3,737	2,563	1,923	736	391	92	43
Santa Clara	\$25,613,222	65,419	43,457	8,420	5,931	4,427	1,840	930	237	98
Totals:	34,491,391,069	91,223	59,748	12,157	8,494	6,350	2,576	1,321	329	141

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	6	1	2		1		1				1		



BOFE Salinas Office

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Monterey	\$2,036,448	12,858	8,299	1,734	1,199	980	357	181	61	29
San Benito	\$169,297	1,488	1,013	195	126	83	46	19	(1)	(1)
Santa Cruz	\$1,112,293	9,151	5,871	1,384	908	629	227	95	23	(2)
Totals:	\$3,318,038	23,497	15,183	3,313	2,233	1,692	630	295	84	29

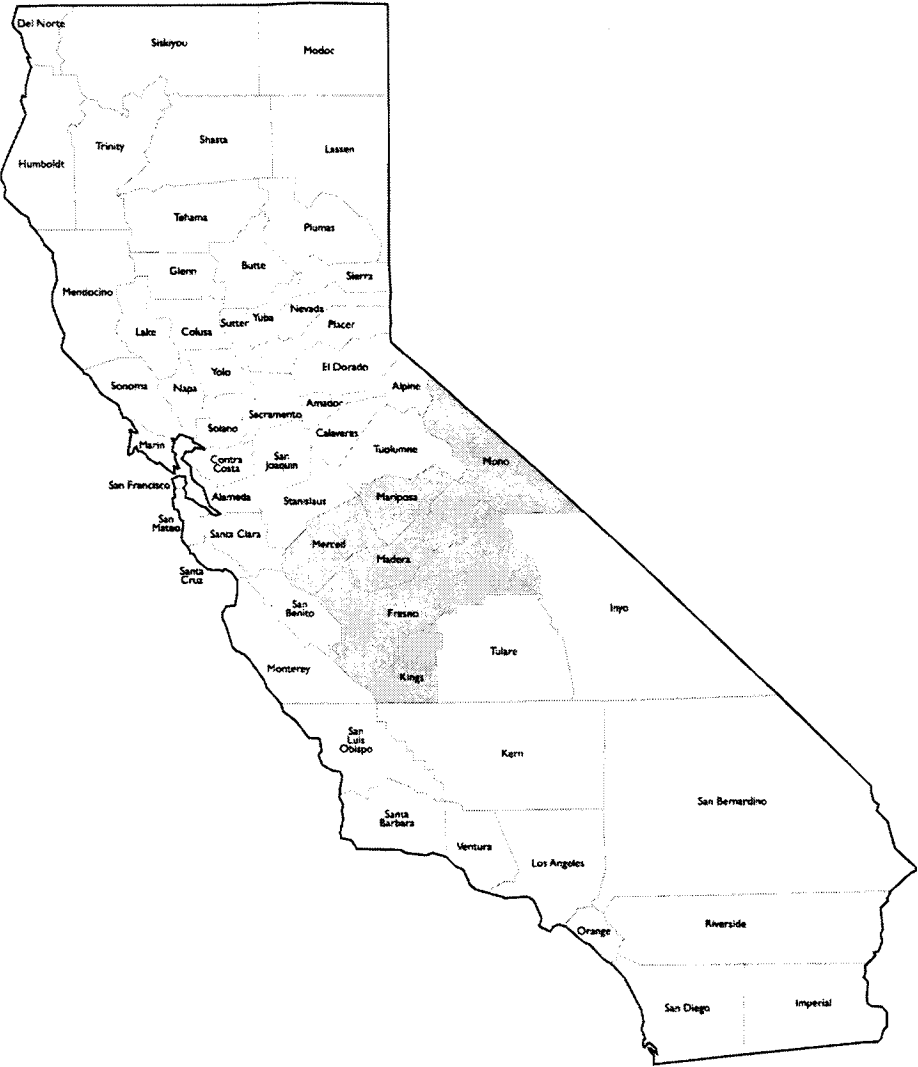
Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	1			1									



BOFE Fresno Office

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Fresno	\$3,517,551	30,848	21,303	3,487	2,573	2,159	810	358	96	39
Kings	\$416,970	3,476	2,251	465	330	252	106	53	11	5
Madera	\$457,132	3,946	2,660	484	331	278	105	61	18	6
Mariposa	\$49,550	481	340	55	42	29	10	(1)	(1)	(1)
Merced	\$708,708	5,867	3,826	719	603	426	172	81	23	11
Mono	\$57,818	612	321	131	91	50	12	(2)	(1)	(1)
San Luis Obispo	\$1,123,176	9,721	5,682	1,627	1,157	865	249	118	14	(2)
Tulare	\$1,305,378	9,105	5,104	1,453	1,088	892	322	165	48	27
Totals:	\$7,636,283	64,056	41,487	8,421	6,215	4,951	1,786	836	210	88

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	4		2				1				1		



BOFE Bakersfield Office

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Inyo	\$74,417	740	448	114	98	56	12	9	3	0
Kern	\$3,447,565	17,087	9,764	2,499	2,048	1,598	664	351	93	41
Kings	\$416,970	3,476	2,251	465	330	252	106	53	11	5
Mono	\$57,818	612	321	131	91	50	12	(2)	(1)	(1)
San Luis Obispo	\$1,123,176	9,721	5,682	1,627	1,157	865	249	118	14	(2)
Tulare	\$1,305,378	9,105	5,104	1,453	1,088	892	322	165	48	27
Totals:	\$6,425,324	40,741	23,570	6,289	4,812	3,713	1,365	696	169	73

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	2		2										



**BOFE Santa Barbara Office**

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Santa Barbara	\$2,253,778	14,498	8,851	2,228	1,510	1,196	430	204	50	19
Ventura	\$3,785,440	24,686	15,497	3,578	2,466	1,957	731	336	83	21
Totals:	\$6,039,218	39,184	24,348	5,806	3,976	3,153	1,161	540	133	40

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	1		1										



**BOFE Los Angeles Office**

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Los Angeles	\$55,815,946	438,802	334,993	40,325	28,039	21,068	8,400	4,329	1,008	383
Totals:	\$55,815,946	438,802	334,993	40,325	28,039	21,068	8,400	4,329	1,008	383

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	3		3										



BOFE Van Nuys Office

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Los Angeles	\$55,815,946	438,802	334,993	40,325	28,039	21,068	8,400	4,329	1,008	383
Totals:	\$55,815,946	438,802	334,993	40,325	28,039	21,068	8,400	4,329	1,008	383

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	3		1	1							1		



BOFE Long Beach Office

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Los Angeles	\$55,815,946	438,802	334,993	40,325	28,039	21,068	8,400	4,329	1,008	383
Orange	\$19,998,333	106,747	67,475	14,933	10,490	8,336	3,221	1,669	398	147
Totals:	\$75,814,279	545,549	402,468	55,258	38,529	29,404	11,621	5,998	1,406	530

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	3			1	1							1	



**BOFE Santa Ana Office**

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Orange	\$19,998,333	106,747	67,475	14,933	10,490	8,336	3,221	1,669	398	147
Totals:	\$19,998,333	106,747	67,475	14,933	10,490	8,336	3,221	1,669	398	147

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	4		2	1							1		



**BOFE San Bernardino Office**

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Riverside	\$6,121,796	53,084	35,837	6,577	4,747	3,501	1,456	729	142	55
San Bernardino	\$6,729,619	50,990	34,001	6,139	4,615	3,815	1,421	714	183	68
Totals:	\$12,851,415	104,074	69,838	12,716	9,362	7,316	2,877	1,443	325	123

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	4		1	1			1				1		



**BOFE San Diego Office**

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
San Diego	\$17,897,402	99,652	64,978	13,439	9,568	7,005	2,696	1,390	362	125
Totals:	\$17,897,402	99,652	64,978	13,439	9,568	7,005	2,696	1,390	362	125

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	5		1	1	1		1				1		



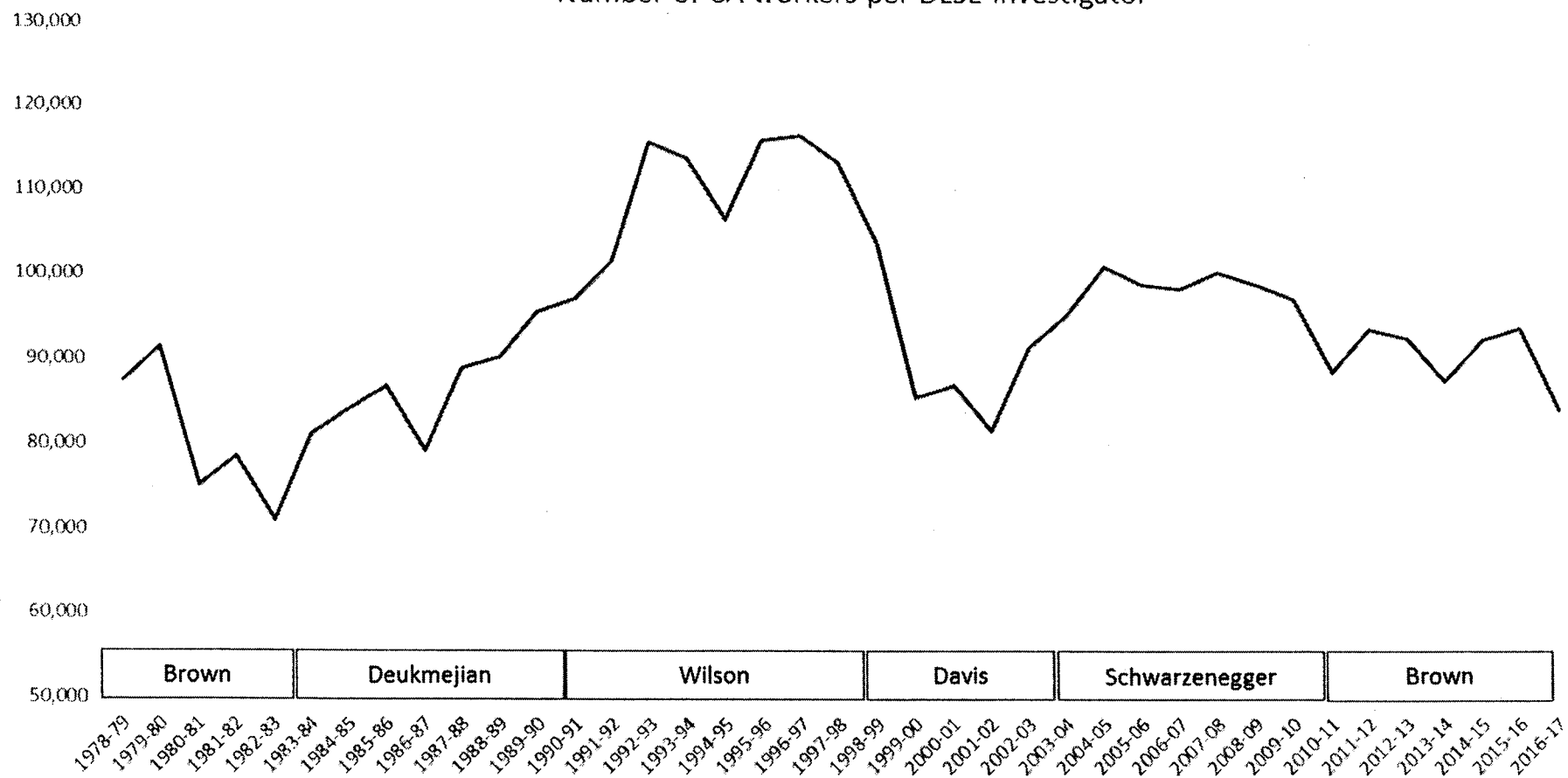
**BOFE El Centro Office**

	Payroll for 2014, Q3		Number of Businesses by Size Category							
Counties	(in thousands)	Total	0-4	5-9	10-19	50-99	100-249	250-499	500-999	1000+
Imperial	\$523,298	6,842	5,242	568	476	350	120	61	11	10
Totals:	\$523,298	6,842	5,242	568	476	350	120	61	11	10

Program	ALL	BOFE				EETF				LETF			
Classification	Total	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST	DLC II	DLC I	IRR	MST
No. of Staff	2		1		1								



Number of CA workers per DLSE Investigator



**DEPARTMENT OF INDUSTRIAL RELATIONS**  
**FISCAL YEAR 2017-18 BUDGET CHANGE PROPOSAL**  
**FUND CONDITION STATEMENT**  
(dollars in thousands)

**Attachment IV**

	Actual 2014-15	Actual 2015-16	Estimated 2016-17	Proposed 2017-18	Proposed 2018-19	Proposed 2019-20	Proposed 2020-21	Proposed 2021-22
<b>3152 Labor Enforcement and Compliance Fund</b>								
<b>BEGINNING BALANCE</b>	\$32,331	\$36,486	\$34,537	\$28,394	\$34,515	\$36,708	\$36,810	\$37,123
Prior year adjustments	301	333	-	-	-	-	-	-
Adjusted Beginning Balance	\$32,632	\$36,819	\$34,537	\$28,394	\$34,515	\$36,708	\$36,810	\$37,123
<b>REVENUES, TRANSFERS AND OTHER ADJUSTMENTS</b>								
Revenues:								
4121800 Employment Agency Filing Fees (Talent Agency Fees)	-	-	18	18	18	18	18	18
4121800 Employment Agency Filing Fees (Farm Labor Contractor Fees)	-	-	209	209	209	209	209	209
4122000 Employment Agency License Fees (Talent Agency Lic Fees)	-	-	150	150	150	150	150	150
4122000 Employment Agency License Fees (Farm Labor Contractor Lic Fees)	-	-	720	720	720	720	720	720
4123800 Industrial Homework Fees	-	-	1	1	1	1	1	1
4129200 Other Regulatory Fees	47,067	43,510	48,945	71,033	71,033	71,033	71,033	71,033
4129400 Other Regulatory Licenses and Permits (Entertainment Work Permit)	-	-	127	127	127	127	127	127
4129400 Other Regulatory Licenses and Permits (Child Performer Svcs Permit Fees)	-	-	28	28	28	28	28	28
4129400 Other Regulatory Licenses and Permits - 2017/18 BCP (AB 1978 Janitorial)	-	-	-	-	900	900	900	900
4161000 Investment Income - Other	1	-	-	-	-	-	-	-
4163000 Investment Income - Surplus Money Investments	57	142	80	80	80	80	80	80
4173000 Penalty Assessments - Other	425	150	300	300	300	300	300	300
Transfers and Other Adjustments:								
Loan Repayment from Fund 3204	250							
Revenue Transfer from Child Performer Services Fund (3242) per Labor Code Section 1706(h)(2)			2					
Revenue Transfer from Entertainment Work Permit Fund (3204) per Labor Code Section 1308.11(b)			250					
Total Revenues, Transfers and Other Adjustments	\$47,800	\$43,802	\$50,830	\$72,666	\$73,566	\$73,566	\$73,566	\$73,566
Total Resources	\$80,432	\$80,621	\$85,367	\$101,060	\$108,081	\$110,274	\$110,376	\$110,689
<b>EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>								
Expenditures:								
7350 Department of Industrial Relations (State Operations)	43,946	46,083	54,675	53,452	53,452	53,452	53,452	53,452
7350 2017/18 BCP (Strategic Enforcement of Labor Standards)				4,552	8,564	11,571	11,360	11,360
7350 2017/18 BCP (Public Works Fund Solvency)				2,227	2,227	2,227	2,227	2,227
7350 2017/18 BCP (2017/18 Legislative Proposals)				1,334	2,150	1,234	1,234	1,234
8880 Financial Information System for California (State Operations)		1		69	69	69	69	69
9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations)			2,298	4,911	4,911	4,911	4,911	4,911
Total Expenditures and Expenditure Adjustments	\$43,946	\$46,084	\$56,973	\$66,545	\$71,373	\$73,464	\$73,253	\$73,253
<b>FUND BALANCE</b>	\$36,486	\$34,537	\$28,394	\$34,515	\$36,708	\$36,810	\$37,123	\$37,436
Reserve for economic uncertainties	36,486	34,537	28,394	34,515	36,708	36,810	37,123	37,436

**Fiscal Summary**

(Dollars in thousands)

BCP No. 7350-102-BCP-2017-GB		Proposal Title Strategic Enforcement of Labor Standards				Program DLSE (Rollup)			
Personal Services		Positions				Dollars			
		BY	BY + 1	BY + 2	BY + 3	BY	BY + 1	BY + 2	BY + 3
AC_5100000 Total Salaries and Wages		31.0	58.5	82.5	82.5	\$2,182	\$4,232	\$5,737	\$5,737
AC_5108000 OT Earn Other than TH									
AC_5150900 Staff Benefits - Other						1,183	2,295	3,112	3,112
<b>Total Personal Services</b>		31.0	58.5	82.5	82.5	\$3,365	\$6,527	\$8,849	\$8,849
<b>Operating Expenses and Equipment</b>									
AC_5301400 General Expense						206	237	259	139
AC_5302900 Printing						17	33	45	45
AC_5304800 Communications						60	98	127	114
AC_5306100 Postage						37	73	103	103
AC_5320490 Travel-In State						79	154	214	214
AC_5320890 Travel-Out of State						0	0	0	0
AC_5322500 Training						5	12	15	15
AC_5324350 Facilities Operations						446	869	1,214	1,214
AC_5326900 Utilities						0	0	0	0
AC_5340330 Consulting & Professional Services: Interdepartmental						0	0	0	0
AC_5340580 Consulting & Professional Services: External						0	0	0	0
AC_5344000 Data Center Services						118	229	321	321
AC_5346390 Information Technology						218	330	421	343
AC_5362290 Equipment						1	2	3	3
Other/Special Items of Expense:									
AC_5342500 Distributed Administration / Indirect Costs									
<b>Total Operating Expenses and Equipment</b>						\$1,187	\$2,037	\$2,722	\$2,511
<b>Total State Operations Expenditures</b>						\$4,552	\$8,564	\$11,571	\$11,360
Fund Source		Item Number							
		Org	Ref	Fund					
General Fund									
Special Funds									
Federal Funds									
Labor Enforcement & Compliance Fund (LECF)		7350	001	3152	\$4,552	\$8,564	\$11,571	\$11,360	
Reimbursements									
<b>Total Local Assistance Expenditures</b>						\$0	\$0	\$0	\$0
Fund Source		Item Number							
		Org	Ref	Fund					
General Fund									
Special Funds									
Federal Funds									
Other Funds (Specify)									
Reimbursements									
<b>Grand Total, State Operations and Local Assistance</b>						\$4,552	\$8,564	\$11,571	\$11,360

## (Whole dollars)

BCP No. 7350-102-BCP-2017-GB	Proposal Title Strategic Enforcement of Labor Standards
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### Salaries and Wages Detail

Classification	Positions				Salary Range	Dollars			
	BY	BY + 1	BY + 2	BY + 3		BY	BY + 1	BY + 2	BY + 3
<i>Division of Labor Standards Enforcement:</i>									
INDUSTRIAL RELATIONS COUNSEL III (SPECIALIST)	5.0	9.0	12.0	12.0	\$8,434-\$10,820	\$577,620	\$1,270,764	\$1,617,336	\$1,617,336
DEPUTY LABOR COMMISSIONER III	5.0	5.0	5.0	5.0	\$5,783-\$7,852	409,080	409,080	409,080	409,080
DEPUTY LABOR COMMISSIONER II	3.0	7.5	9.5	9.5	\$5,519-\$7,062	226,476	566,190	717,174	717,174
DEPUTY LABOR COMMISSIONER I	8.0	16.0	24.0	24.0	\$4,783-\$6,120	523,392	1,046,784	1,570,176	1,570,176
INDUSTRIAL RELATIONS REPRESENTATIVE	3.0	7.0	10.0	10.0	\$3,247-\$5,029	148,968	347,592	496,560	496,560
AUDITOR I	4.0	8.0	12.0	12.0	\$3,247-\$4,271	180,432	360,864	541,296	541,296
OFFICE TECHNICIAN (TYPING)	3.0	6.0	10.0	10.0	\$2,809-\$3,620	115,740	231,480	385,800	385,800
<b>Total Salaries and Wages</b>	<b>31.0</b>	<b>58.5</b>	<b>82.5</b>	<b>82.5</b>		<b>\$2,181,708</b>	<b>\$4,232,754</b>	<b>\$5,737,422</b>	<b>\$5,737,422</b>

### Staff Benefits Detail

OASDI	\$135,266	\$262,430	\$355,720	\$355,720
Health/Dental/Vision Insurance	125,928	244,314	331,163	331,163
Retirement				
Miscellaneous	583,128	1,131,331	1,533,498	1,533,498
Safety				
Industrial				
Other:				
Workers' Compensation	76,032	147,512	199,950	199,950
Industrial Disability Leave	131	255	345	345
Non-Industrial Disability Leave	4,450	8,634	11,705	11,705
Unemployment Insurance	2,444	4,741	6,426	6,426
Other:	256,417	497,476	674,319	674,319
<b>Total Staff Benefits</b>	<b>\$1,183,796</b>	<b>\$2,296,693</b>	<b>\$3,113,126</b>	<b>\$3,113,126</b>
<b>Grand Total, Personal Services</b>	<b>\$3,365,504</b>	<b>\$6,529,447</b>	<b>\$8,850,548</b>	<b>\$8,850,548</b>

## Supplemental Information

(Dollars in thousands)

BCP No. 7350-102-BCP-2017-GB	Proposal Title Strategic Enforcement of Labor Standards
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Equipment	BY	BY +1	BY +2	BY +3
<b>Total</b>	\$0	\$0	\$0	\$0

Consulting & Professional Services	BY	BY +1	BY +2	BY +3
<b>Total</b>	\$0	\$0	\$0	\$0

Facility/Capital Costs	BY	BY +1	BY +2	BY +3
<b>Total</b>	\$0	\$0	\$0	\$0

One-Time/Limited-Term Costs		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		BY		BY +1		BY +2		BY +3	
Description				Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars
Standard Complement					265		239		212		0
				0.0	\$265	0.0	\$239	0.0	\$212	0.0	\$0

Full-Year Cost Adjustment		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		BY		BY +1		BY +2		BY +3	
Item Number				Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars
<b>Total</b>				0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0

Future Savings		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		BY		BY +1		BY +2		BY +3	
Item Number				Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars
<b>Total</b>				0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0